

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	See Below		See Below	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB236 would make all public employee pensions subject to attachment, garnishment or other process in bankruptcy and the collection of money judgments if the debtor is convicted of or pleads no contest to a felony or misdemeanor, and is found liable for civil damages. Attachment would be allowed prior to distribution of benefits. There are exceptions for those amounts necessary for support of the members or beneficiaries, and qualified domestic relation orders.

The City of Omaha, Lancaster County and the University of Nebraska are indicating no or minimal fiscal impact.

The Nebraska Public Employee Retirement System (NPERS) indicates increased cost associated with:

- a. One-time computer programming changes (\$89,156);
- b. Actuarial analysis to determine the monthly benefit offset at \$500 per occurrence; and
- c. One-time cost to obtain a legal opinion or private letter ruling from the IRS estimated at \$20,000.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 236	AM:	AGENCY/POLT. SUB: Lancaster County	
REVIEWED BY: Gary Bush		DATE: 1/23/15	PHONE: 471-4161
COMMENTS: No basis to disagree with estimate.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 236	AM:	AGENCY/POLT. SUB: Neb. Public Employee Retirement Systems	
REVIEWED BY: Gary Bush		DATE: 1/23/15	PHONE: 471-4161
COMMENTS: No basis to disagree with estimate. Estimate appears to be reasonable given the assumptions used.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 236	AM:	AGENCY/POLT. SUB: City of Omaha	
REVIEWED BY: Gary Bush		DATE: 1/23/15	PHONE: 471-4161
COMMENTS: No basis to disagree with the estimate of impact.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 236	AM:	AGENCY/POLT. SUB: University of Nebraska	
REVIEWED BY: Gary Bush		DATE: 1/23/15	PHONE: 471-4161
COMMENTS: No basis to disagree with the estimate of impact.			

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 236

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Public Employee Retirement Systems (NPERS)

Prepared by: ⁽³⁾ Randy Gerke

Date Prepared: ⁽⁴⁾ _____

Phone: ⁽⁵⁾ (402) 471-9495

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$112,156	_____	\$3,000	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$112,156</u>	_____	<u>\$3,000</u>	_____

Explanation of Estimate:

LB236 as written would make the retirement benefits subject to collection of judgments against members. The language that was struck made the judgment payable FOLLOWING distribution of the member's annuities or benefits from the retirement system. This language made this action a "no fiscal impact to the agency" change. Because that language was stricken however, there is a fiscal impact because our computer system is not set up for possible multiple payments to beneficiaries. We are including updated estimates to what was LB973 in 2012:

Our estimates include programming charges of \$89,156. (OCIO Programmer @ \$79.25/hour for 1125 hours). The plans currently do not allow for judgments to be paid from retirement accounts (non-retired members) or retirement benefits (retired members taking an annuity). Our computer system is not programmed to allow these payments. The computer system is also not programmed to make direct benefit payments to multiple parties. Please note that the hours to program this equal 1 programmer approximately 6 month full time programming. Depending on how this is designed, there may also be additional costs for the State Payroll and Financial Center.

The defined benefit plan benefits are calculated using service credit and three highest year salaries. Judgments would likely be awarded as a fixed dollar amount from an account balance for those members who are not retired. This would require actuarial factors to determine the monthly benefit offset to the pension payment equal to the value of the damages paid. It would likely be cost effective to allow the actuary to calculate this. LB973 (2012) included an estimate of \$3000 annually. This was estimating that it would happen 6 times /year @ \$500 per occurrence. This is difficult to estimate. Also, statutes governing the Cash Balance plans will need to be changed to allow for multiple payments in this situation.

This bill presents legal issues under the Internal Revenue Code (IRC) that should be addressed by requesting a formal legal opinion from an independent tax attorney and/or a private letter ruling from the Internal Revenue Service (IRS). (See 26 U.S.C. § 401(a)(2).) The estimated cost of obtaining a legal opinion or private letter ruling is approximately \$20,000. This is a one-time cost.

The full fiscal impact of this bill is difficult to estimate. It is difficult to determine how many of these judgments would be paid from NPERS as well as how many would require reversal and recovery of assets. The potential is there for additional needed personnel to monitor and perform the functions needed to carry out the provisions of this bill.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....			\$112,156	\$3,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$112,156	\$3,000

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 236

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 22, 2015 Phone: ⁽⁵⁾ 472-7109

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 236 would likely require minor changes to our plan document resulting in some attorney fees, but the impact would be minimal. No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 236

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Lancaster County

Prepared by: ⁽³⁾

Minette Genuchi

Date Prepared: ⁽⁴⁾

1/23/2014

Phone: ⁽⁵⁾

402-441-7449

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No fiscal impact on the County

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 236

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Omaha

Prepared by: ⁽³⁾ Sheri Larsen Date Prepared: ⁽⁴⁾ 01/22/2015 Phone: ⁽⁵⁾ 402-444-5477

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No fiscal impact to the City of Omaha.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____